

The Ostrich Effect: Selective Attention to Financial News by Investors
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Current information is an input into rational decision-making, but confronting good or bad news can also entail positive or negative emotional consequences, which can affect the ex ante decision of whether or not to acquire information. Using an extensive sample of account-level Internet activity by investors at a large asset management company, we examine daily account look-up behavior over a two-year period as a function of prior aggregate stock market moves and investor characteristics. We classify individuals as "ostriches" or "anti-ostriches" based on whether they are more likely to log in to check their accounts when the aggregate stock market is up (and investor equity positions can be expected to have appreciated) or down. This classification is highly reliable in the sense that those classified as ostriches in one year are also likely to be classified as ostriches in the other year, and in that people classified as ostriches based on daily market changes and lookups are also likely to be classified as ostriches based on both weekly and monthly changes. We also find that ostriches are far more numerous than anti-ostriches, but that the reverse is true for those with zero equity (for whom an increase in the value of stocks is bad news in a relative or opportunity cost sense). We also study ostrich behavior relative to the VIX volatility index and investigate other demographic characteristics of ostriches.

In this presentation to the NBER Cohort group I will present results from an original paper on the Ostrich Effect that reported a study involving analysis of a data set reporting *aggregate investor* portfolio look-ups over time:

<http://www.springerlink.com/content/rm161k6622p81670/fulltext.pdf>

Then, I will present unpublished follow-up results from a large data set of *individual investors'* day-to-day portfolio lookups. The new analyses will highlight some of the benefits of individual-level panel-data.